

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7315
BILL NUMBER: SB 502

DATE PREPARED: Jan 12, 2002
BILL AMENDED:

SUBJECT: Reassessment.

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill phases in reassessments of single family residential property over four years.

Effective Date: January 1, 2002 (retroactive).

Explanation of State Expenditures: The state's expenditure for homestead credit would be reduced by this proposal in CY 2003, 2004, and 2005. The estimated fiscal year homestead credit savings under this proposal are \$11.7 M in FY 2003, \$15.0 M in FY 2004, \$5.1 M in FY 2005, and \$1.7 M in FY 2006. Homestead credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any PTRF savings would ultimately benefit the General Fund.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a general reassessment will take effect with property tax payable in CY 2003. The reassessment, coupled with the changes to the personal property assessment rule and the utility property assessment rule, is expected to increase the residential property share of property taxes by 14.3%. This bill would phase the effect on dwellings in over a four-year period.

The bill requires the Department of Local Government Finance (State Tax Board) to adopt rules to implement the phase-in. The phase-in would shift part of the property tax burden from residential property to all other classes of property. The shift would result in a savings to residential property owners and a savings to the state for homestead credits paid against the taxes on those dwellings that are owner-occupied.

The following table estimates the net taxpayer savings and the state homestead credit savings expected under

this proposal, given earlier estimates of a CY 2003 shift to residential property of \$310.6 M in CY 2003 due to reassessment and the personal property and utility property rules.

Residential Property Tax Shifted To Other Property Classes		
Calendar Year	Residential Taxpayer Net Savings	State Homestead Credit Savings
2003	\$ 232.9 M	\$ 23.4 M
2004	164.2 M	6.6 M
2005	86.8 M	3.5 M
2006	0	0

Total local revenues would not be affected.

State Agencies Affected: Department of Local Government Finance.

Local Agencies Affected: County assessors; County auditors.

Information Sources: Fiscal note for proposed rule #01-347; Property Tax Analysis, various years, State Board of Tax Commissioners; Local Government Database.